

CORPORATE SOCIAL RESPONSIBILITY AND FIRM FINANCIAL PERFORMANCE: A CASE OF SME'S SECTOR IN PAKISTAN.

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Abstract:

The relation between corporate social responsibility and business value has been scrutinized, but a significant research gap remains when considering the association between corporate social responsibility and innovation. The paper assesses its relationship with firm innovation and Organizational performance in a single integrative model by using spss data set of 53 Pakistani SME's firms. A questionnaire of self-administrative is developed to collect the data. Researcher personally visits of different SME's firms and collect the data from manager of SME's firms. The research use 275 questionnaire is distributed in different SME's sector. In this study the statistical techniques of data analysis are used to investigate and find out the relationship among the Firm performance and the other factors. SPSS version16 is used for reliability analysis, descriptive statistics, regression analysis, correlation analysis, to check either modal is good fit or not. Our results supports a partial mediation effect of innovation performance on the relationship between corporate social responsibility and firm performance, meanwhile the effect of corporate social responsibility on firm performance shrinks upon the adding of innovation performance to the model. The findings may help to understand how corporate social responsibility is an important driver mechanism for companies to be more inventive, proficient and effective. Such studies talk about practical issues existing in the Pakistani society. This is an exclusive study as it is focusing on Pakistan SMEs sector, where a very limited research has been done.

Keywords:

Corporate Sustainability, Corporate Social Responsibility, Financial Performance, Pakistan



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INTRODUCTION

In current years, the conception of the 'corporate sustainability', 'corporate social responsibility (Baumgartner)', 'corporate social performance' and 'environmental management' have acknowledged escalating amounts of the awareness from both intellectual and the practitioners. Given that the sustainability practice is the key to any company's endurance, embattled sustainable actions inside a company's strategy are more likely to develop into a source of competitive advantage (Loret, 2016). Corporate sustainability is accomplished at the connection of the economic developments, environmental protections and the social responsibility(Bansal, 2005); (White, 2009). Therefore, organizing corporate sustainability is a deliberate and the profit-driven corporate retort to the environmental and social matters caused in the course of the organization's activities (Salzmann, Ionescu-Somers, & Steger, 2005). Research available on the corporate sustainability concludes that, it is essential to think about these three magnitudes as well as their impact and the interrelations. (Baumgartner, 2014) widen an integrated framework for the 'corporate sustainability management'. This framework comprises of different the management levels and it is enhanced with the arrangement of management instruments to support the forecasting, employing, reviewing, and then controlling the corporate sustainability actions. Economic sustainability holds general features of an organization, which have to be esteemed in order to stay in the market for longer time period. These features include novelty and technology(Baumgartner & Ebner, 2010). Social viewpoint needs that, companies act dutifully towards consumers, investors, and the government and dutifully control internal firm associations

by motivating other employees in such a way that create worth for the company (Easley & Lenox, 2006); (Freeman, 2010). Concerning the environmental measurement, defending the environment and raising the environmental performances are at the spirit of sustainability subject to be considering (Baumgartner, 2014). The economic, social and the environmental restrictions are not merely analytical notions but symbolize the drivers that any firm can use to bring into line the business model to the business strategy. CSR is classically linked as approach to put together the social and environmental characteristics into corporate activities (Baumgartner, 2014). The academic society has shown that the CSR direction is the solution to motivating long-term stability, growth and sustainable performances in a vigorous and varying environment (Luo & Homburg, 2007); (Gyves & O'Higgins, 2008); (Lamond et al., 2008). (Ebner & Baumgartner, 2007) argue the terms CSR and commercial sustainability, uphold that both are "voluntary business activities" and that CSR is judge under corporate sustainability, given that middle stage that a firm experience on its way to execute corporate sustainability. According to (Heikkurinen & Bonnedahl, 2013) a sustainable growth orientation argues that the organizations have a liability for undertaking the planned accountability for the corporate sustainability. Another main areas undertake by the sustainable growth discourse is the role of novelty in enhancing the sustainability (Matos & Silvestre, 2013); (Boons & Lüdeke-Freund, 2013). One of the increasingly significant way for the firms to put in to sustainable development are their sustainability-driven innovation performance (Roome, 1994); (Paramanathan, Farrukh, Phaal, & Probert, 2004); (Schaltegger, 2011). Sustainability oriented innovations is the addition of social features into products, processes, and the organizational structures. SOI describes a way, which to chase need the purposeful management of economic, social, and ecological feature (Hansen, Grosse-Dunker, & Reichwald, 2009) so that they turn out to be incorporated into the devise of new products, processes, and organizational structures (Klewitz & Hansen, 2014).

Lately, subsequent the recommendations that are outlined in the EU paper entitled "A renewed EU strategy 2011e2014 for CSR", the Pakistan government has taken a step ahead when on October 24, 2014 it accepted an important proposal called "Pakistan strategy on companies' corporate social responsibility practices 2014e2020" to expand CSR follow not only to listed companies and state-owned business enterprises but also to the rest of the companies, consist of SMEs. One of the main goals of the Pakistan Strategy on CSR (Alang, McAlpine, & Henning-Smith) is to link the CSR with novelty. Although the proof seems to recommend that both the innovation and CSR should be measured vital determinants of a firm's performance indicators, studies empirically address their joint special effects on performance are imperfect (Abdulai Mahmoud & Hinson, 2012); (González-Ramos, Donate, & Guadamillas, 2014). Hence, this paper suggests and tests a model of the relationship between the three dimensions of sustainability: CSR activities (social and environmental sustainability), innovation performance and firm performance (economic sustainability) in a sample of Pakistan small and medium-sized enterprises (SMEs). The reason of this input is to better recognize the links that might exist among innovation performance and CSR practices in the background of SMEs and emphasize the added values that can advantage business dealings. A range of studies have clear dimension scales considering precise aspects or dimensions of the CSR. Though, none of them are found an acceptable measure of the amount of a firm's orientation to the CSR in its whole degree (Gallardo-Vázquez & Sanchez-Hernandez, 2014). In order, we describe a scale to wrap the dissimilar dimensions of the CSR at a precise local level. Our study is expressed around the three main research questions. Firstly, we aim to explain the link between CSR and the innovation performances from a firm strategic perspective in their precise context of SMEs. Secondly, we aim to explain the relation among CSR practices and firm performance in their precise context of SMEs. Social responsibility appears to have somewhat an ambiguous and composite impact on the firm performance, though no true causality has been established yet. The need of consent might imitate model specification problems, like lapse of intangible resources. The relation among CSR and firm presentation may be an object of not calculating for the effect of R&D on CSR (McWilliams & Siegel, 2000). In this sense, (Surroca, Tribó, & Waddock, 2010) exhibit that intangible resources, together with innovation, may be a misplaced link to clarify relation among CSR and financial performances. Thirdly, the paper discovers if novelty performance arbitrate the relation among CSR practices and firm performance in SMEs. This paper contributes to the literature in a number of ways and varies from prior researches on CSR in several features. Firstly, it has been renowned that researches on CSR in SMEs are fairly slight and little is known empirically about the level of the social responsibility in small firms. The applicable existing literature on the knowledge gap that survive in the CSR-SME relation is still far from building a combine and usually accepted model to examine such relations, as well as given that a responsible viewpoint on the management of SMEs (Russo & Perrini, 2010). Secondly, while previous research has often contract with SOI in large firms, the last decade has started to make broad information on the specificities of SOI in SMEs as they are ever more documented as central contributor to sustainable growth (Klewitz & Hansen, 2014). Finally, the paper tries to provide empirical hold to the Pakistan policy on CSR and innovation for SMEs.

The "European public governance model" coagulate by the "Europe 2020 Strategy" encourage a type of market economy centered on the contest and consumer entrance as the actual source of the stimulating economic growth found on innovation. In the EU document titled as "A renewed EU strategy 2011e2014 for CSR" (European Parliament, 2011), the European Commission believe that apprehension about CSR have become a steady of its procedures and is in the middle of the process and their business strategy. In general, it is disputed that CSR must be incorporated into business management models as it is helpful for mitigating strategic choices and permit the company to create valuable insubstantial strategic assets in order to attain competitive advantages and a high level of financial performance (McWilliams & Siegel, 2000); (Hart &

Sharma, 2004);(Surroca et al., 2010). The major reason for selecting a sustainability approach is to lessen the negative environmental and social impact of corporate activities while improving (or at least not reducing) the economic performance of the corporation (Falle, Rauter, Engert, & Baumgartner, 2016). Though the relation among CSR and innovation has been examined and found to be positive in quite a few papers (McWilliams, Siegel, & Wright, 2006);(Padgett & Galan, 2010);(Nancy et al., 2010), CSR accessible research has not yet obviously shown the nature of the relation (Surroca et al., 2010). More and more, studies discover the link among innovation and CSR show up the double direction that the innovation and CSR can take (MacGregor & Fontrodona, 2008);(Gallego-Alvarez, Manuel Prado-Lorenzo, & Garcia-Sánchez, 2011);(Bocquet, Le Bas, Mothe, & Poussing, 2013);(González-Ramos et al., 2014). Two routes have thus been put ahead (Perrine, Scanlon, Li, Odom, & Grummer-Strawn, 2012). First, in some of the firms a CSR innovation route has been found which is explained by the reality that ventures are driven mainly by values. These firms take into description the major impact of their behavior on the environment and the community. This doesn't mean, though, these companies drop sight of profit. On the other hand, the innovation CSR route is there in enterprises carry out mainly by the formation of value. It shows the relation among CSR and innovation is most manifest in enterprises where CSR is an essential part of the company's strategy (Mendibil, Hernandez, Espinach, Garriga, & Macgregor, 2007). Some of the authors try to recognize the type of the CSR strategy that most excellently favors innovation (Daellenbach, Sharma, & Vredenburg, 1998);(Perrine et al., 2012);(Torugsa, O'Donohue, & Hecker, 2012);(Bocquet et al., 2013). Using 'supply and demand theory' as a framework, (McWilliams & Siegel, 2000) show that the adoption of environmental practices, going beyond lawful necessities, may endorse investments in research and development, which in turn can create both the process and product innovation. By using a case study methodology, (MacGregor & Fontrodona, 2008) analyze the CSR-innovation relation for companies from Spain, Italy and the UK. Their findings underline that CSR-driven novelty is aimed at products and the services that have some kind of social purpose, while innovation-driven CSR may be more united with building social procedure and is motivated by value. Other frameworks, (Harms, Wagner, & Glauner, 2010) disclose that CSR, conceptualized as the multi-dimensional assessment of a firm's liable performance that leads to novelty and strong social profit. However, (Gallego-Alvarez et al., 2011) analyzing the bi-directional relation among CSR and innovation, offer facts that sustainable practice do not for all time lead to the value making and innovation. In the field of SMEs, (Battaglia, Testa, Bianchi, Iraldo, & Frey, 2014) conducted a survey among 213 SMEs working in the fashion sector in two EU countries, Italy and France. The results show a strong and the positive correlation among several CSR related variables and competitiveness in terms of two of its facets: innovation and intangible performance.

Many researchers have developed scales to measure organizational performance or effectiveness. Traditionally, authors have considered financial measures, such as sales growth, return on equity, net profit after taxes, productivity or return on assets (Richard, Devinney, Yip, & Johnson, 2009). In recent years, scholars have placed their focus on advocating for and developing more comprehensive, multi-dimensional qualitative-based frameworks of organizational performance, emphasizing that a concept as complex as organizational performance may be more appropriately captured through a multidimensional framework than through a single construct (Quinn & Rohrbaugh, 1983);(Rojas, 2000). Regarding this, (Quinn & Rohrbaugh, 1983) gain insight into the dimensions within organizational performance by explaining four separate models of organizational performance (i.e. human relations, open systems, rational goals and internal processes). As indicated by (Quinn & Cameron, 1988), the human relations model places a great deal of emphasis on flexibility and internal focus, cohesion and morale, and human resource development being operationalized by aspects such as employees' motivation and turnover and labour absenteeism. Meanwhile, the open system model is laid down on flexibility, external focus, growth and resource acquisition. Aspects such as customer satisfaction, the speed of adjustment to the changeable needs of the markets and the brand image and corporate reputation are relevant under this model. The rational goal model emphasizes control and external focus, and stresses the effectiveness criteria shown in planning and goal setting and productivity and efficiency. This model is evaluated according to measures such as market share, profitability and productivity. Finally, the internal process model is focused on control and internal focus, giving high importance to the role of information management and communication and considering stability and control as the main points. This model is operationalized using measures such as the improvement in the quality of products/services, coordination of internal processes and organization and coordination of human resources. Based on the work of (Quinn & Rohrbaugh, 1983), researchers have considered not just financial measures (e.g., ROE, sales growth, profits or productivity) but also non-financial measures (e.g. customer satisfaction, corporate reputation, employee satisfaction, the quality of products or services and human resource management) as equally critical in determining organizational performance (Black & Lynch, 2001);(Capelli & Neumark, 2001);(Roberts & Dowling, 2002);(Wiklund & Shepherd, 2003);(Wade & Hulland, 2004);(Smith, 2007);(van der Helm-vanMil et al., 2007);(Lakhal & Pasin, 2008). As a result, the present study proposes an integrated measurement scale to capture organizational performance, which is done by adopting a scale designed by (Marín, Rubio, & Maya, 2012) to quantify the financial and non-financial constructs of organizational performance. Through the Theory of Resources and Capabilities (Amit & Schoemaker, 1993), research has shown that the resource-based perspective explains why firms engage in CSR activities. (Branco & Rodrigues, 2006) posit that CSR provides internal or external benefits, or both. Investments in socially responsible activities may have internal benefits by helping a firm to develop new resources and capabilities which are related to know-how and corporate culture. Moreover, as (Coelho, Branco, & Rodrigues, 2006) point out, "socially responsible employment practices such as fair wages, a clean and safe

working environment, training opportunities, health and education benefits for workers and their families, provision of childcare facilities, flexible work hours and job sharing, can bring direct benefits to a firm by increased morale and productivity while reducing absenteeism and staff turnover. As well as productivity benefits, firms also save on costs for recruitment and training of new employees". Meanwhile, the external benefits of CSR are related to its effect on corporate reputation, which in turn can be understood as a fundamental intangible resource that can be created or depleted as a consequence of the decisions to engage or not in social responsibility activities and disclosure. As indicated by (Coelho et al., 2006), "by demonstrating that they operate in accordance with social and ethical criteria, firms can build reputation, whereas failing to do so can be a source of reputational risk. Reputational capital depends on stakeholder support. Thus, it is created when a firm is able to obtain support from its stakeholders: employee commitment, customer loyalty, attractiveness to investors, collaboration of partners, favorable regulation, endorsements from activist groups, legitimacy from the community, and favorable coverage from the media". As (Sen, Bhattacharya, & Korschun, 2006) noted, CSR awareness relates to positive stakeholder reactions towards the company, not only in the consumption domain but in the employment and investment domains as well. This insight corroborates the notions of (Du & Vieira, 2012) that, by engaging in CSR activities, companies can not only generate favorable stakeholder attitudes and better support behaviors (e.g. purchase, seeking employment, investing in the company), but also, over the long run, build corporate image, strengthen stakeholder company relationships, and enhance stakeholders' advocacy behaviors. Luo and Bhattacharya (2006) Document that CSR contributes to a positive market value that can help managers to achieve a competitive advantage and greater financial benefits. In this vein, (Bhattacharya & Sen, 2004) indicate that there is a positive link between CSR and consumer patronage spurring companies to devote greater resources to CSR activities while (Smith, 2007) argues that CSR activities in the form of equal employment opportunity (EEO) policies and practices and environmentally responsible commitments enhance long-term shareholder value by reducing costs and risks. He contends that explicit EEO statements are necessary to illustrate an inclusive policy which reduces employee turnover through improving morale.

Because of increasing pressures related to humanity and environment, major concerns have emerged in the business world. CSR has developed as a general framework for alleviating these pressures (Turker, 2009). The relevant literature has provided differing definitions of CSR. For example, (Bowen & Johnson, 1953) defined CSR as the obligations of a manager "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." Alternatively, (Carter, 2005) defined the concept as a "corporate activity and its impact on different social groups ... the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm." Taking these understandings into account, this study defines CSR as the behaviors of a firm which aim to affect social and nonsocial stakeholders positively and goes beyond its economic interest (Turker, 2009). There are contradictory results in the extant literature about the effect of CSR on the financial performance of firms. Some researchers found no positive relationship between CSR and financial performance (Goll & Rasheed, 2004); (Carter, 2005) because socially responsible initiatives result in additional costs, such as employee welfare programs, charity, community development, and establishing environmental sensitive policies (Carter, 2005). In contrast, other researchers found that CSR is positively related to financial performance (Goll & Rasheed, 2004); (Carter, 2005). Accordingly, CSR may enhance shareholder value by boosting sales, raising employee morale, increasing productivity, and stimulating innovation. CSR can also improve the reputation of a firm, enhance its customer loyalty, and raise consumer demand directly (Lev, Petrovits, & Radhakrishnan, 2010). There are two major theoretical approaches that link CSR to firm performance. Friedman and neo-classicists suggest the existence of a negative relationship between CSR and financial performance (Goll & Rasheed, 2004). According to (Friedman, 1970) only people have liabilities. A firm is an artificial person, so it has artificial concerns. This thought is called shareholder perspective, suggesting that the only duty of business managers is to serve the interests of shareholders by seeking more profit (Evans & Sawyer, 2010). On the other hand, (Hannan & Freeman, 1984) stakeholder perspective suggests that firms need to meet the needs of the stakeholders in addition to the shareholders. According to this perspective, stakeholders are critical for the existence of the firm. The basic idea of the stakeholder perspective is that a firm's success depends on how it is able to manage relationships with key groups, such as customers, employees, suppliers, communities, politicians, and owners, each of which can affect its ability to reach its goals (Ihlen, 2008). With this in mind, stakeholders contribute to a firm's wealth creating activities (Evans & Sawyer, 2010). Additionally, in fast changing and unpredictable environments, socially responsible behavior helps firms to gain support from various external stakeholder groups (Goll & Rasheed, 2004). In today's literature, it is generally accepted that a business has responsibilities, such as economic, legal, and ethical issues, as does a human (Ihlen, 2008). CSR also includes such liabilities of environmental protection; human resource management; health and safety issues; cultural aspects; and stakeholders (Friedman, 1970) Firms therefore need to operate in both socially and environmentally responsible ways while maximizing stakeholder value by focusing on their financial performance (Evans & Sawyer, 2010). However, a critical question still remains as to whether CSR enhances performance or simply distributes corporate profits (Lev et al., 2010). There are mixed results in the extant literature on whether CSR has financial and other benefits for firms (Goll & Rasheed, 2004); (Carter, 2005) because concepts like CSR might be deeply rooted in the organizational culture. There is generally a big separation between CSR and financial performance, since the direct effect of CSR on financial performance cannot easily be observed (Goll & Rasheed, 2004); (Luo & Bhattacharya, 2006). Hence, this study investigates the effect of CSR on financial performance and further, competitive advantage through ESD which

“encompasses all activities through which the buying firm helps its suppliers reduce their negative environmental impact”. Firms with high levels of CSR are expected to improve their suppliers' products and procedures because society thinks that ESD is a natural component of CSR. However, the relationship between the social dimension of CSR and ESD is still not completely clear in SSCM studies (Seuring & Müller, 2008).

H1. CSR of SMEs is positively related to innovation performance.

The impact of CSR on economic performance has received considerable attention in the literature over the past three decades. According to the stakeholder theory, there is generally expected to be a positive relationship between CSR and financial performance. The success of an organization depends on the organization's capacity to manage the relationships with its stakeholders. Management of relationships with key business stakeholders has become an essential tool for value generation (Hammann, Habisch, & Pechlaner, 2009), making the stakeholder theory's interpretation a necessary step in understanding any possible relationship amongst CSR and firm performance (Vázquez-Carrasco & López-Pérez, 2013). The basic assumption behind this theory is that CSR may be an organizational device that leads to more effective use of resources (Orlitzky, Schmidt, & Rynes, 2003), which has a positive impact on corporate financial performance. However, no consensus has emerged so far. Social responsibility seems rather to have an ambiguous and complex impact on firm performance, although no true causality has been proved yet. While a lot of research points towards a mild positive relationship (Aupperle, Carroll, & Hatfield, 1985); (McGuire, Sundgren, & Schneeweis, 1988); (Orlitzky et al., 2003); (Maron et al., 2006); (Wu, 2006); (Rodgers, Choy, & Guiral, 2008), this connection has not been fully established (Polonsky, Neville, Bell, & Mengüç, 2005); (Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009); (Park & Lee, 2009) and the mechanisms through which performance is enhanced by CSR are not well understood (Jawahar & McLaughlin, 2001); (Mill, 2006; Barnett and Salomon, 2006). Qu (2009) argues that lack of coherence between earlier and more recent studies may be attributed to the fact that “business environments are in a state of flux and the current business environments are becoming more favourable towards businesses that place an emphasis on CSR”. The results of their research stated that ISO 14001 certification in these two countries had a high influence and influenced the company's involvement in the practice of CSR disclosure. Manurung and Rachmat (2020). The existence and the nature of the relationship between CSR and performance is even less clear when CSR strategies and practices are adopted by SMEs (Morsing and Perrini, 2009). There have been few studies investigating this relationship in SMEs (Niehm et al., 2008; Marin and Rubio, 2008; Hammann et al., 2009; Sweeney, 2009; Torugsa et al., 2013; Gallardo-Vazquez and Sanchez-Hernandez, 2013, 2014; Turyakira et al., 2014). This is due both to the difficulty in identifying the effects in the medium-long term (Lepoutre and Heene, 2006) and to the nature itself of CSR strategies, often characterized by a lack of codification and based on informal relationships between SMEs and their stakeholders (Battaglia et al., 2014). From these arguments, the following hypothesis is proposed:

H2. CSR of SMEs is positively related to firm performance.

Most academic literature claims that innovation activities are inherently linked to higher company performance, and the determinants of innovation performance, that is, the magnitude of the economic returns of innovation, have attracted considerable academic interest (Saez-Martinez et al., 2014). The literature review suggests there remains a lack of understanding about how CSR initiatives may improve SMEs performance through innovation. In this sense, Aguinis and Glavas (2012), after review the CSR literature based on 588 journal articles and 102 books and book chapters, reveal important knowledge gaps related to the adoption of different theoretical orientations by researchers studying CSR at different levels of analysis, and the need to understand underlying mechanisms linking CSR with outcomes. Some reviews indicate opportunities to test mediating mechanisms and moderating conditions (Barnett and Salomon, 2006) such as R&D investments (McWilliams and Siegel, 2000), or firm's intangible resources including innovation (Surroca et al., 2010) or the moderating effect of measurement issues (Orlitzky et al., 2003). In general, CSR literature has considered a firm's innovation effort as a variable that contributes to explaining the relationship between CSR activities and financial performance more accurately (Surroca et al., 2010; Wagner, 2010). For instance, McWilliams et al. (2006) suggested that R&D investment is a necessary aspect for a firm seeking to improve its financial performance through the use of CSR as a differentiation strategy. Hull and Rothenberg (2008) also stated that innovation may moderate variables that affect financial performance, such as firm's CSR, thereby amplifying its final outcome. There are also particular elements of CSR that have been studied with respect to their relationship with innovation. In short, innovation strategies oriented towards CSR facilitate new ways of enhancing corporate responsibility through rebuilding the relationship between organizations and their stakeholders (Gonzalez- Ramos et al., 2014). Surroca et al. (2010), from research developed in a sample of 599 companies in 28 countries, argued that intangibles mediate the relationship between corporate responsibility performance and corporate financial performance, and that this mediation operates in both causal directions. They concluded that there is no direct relationship between them, but that there is a virtuous circle connecting both performance measures through intangibles. Investing in corporate responsibility performance improves intangibles that lead to superior levels of corporate financial performance, which in turn must be reinvested in intangibles in order to improve corporate responsibility performance. In this sense, Waddock and Graves (1997) suggested that corporate responsibility performance and corporate financial performance are synergistic: corporate responsibility performance is both a predictor and a consequence of corporate financial performance, thereby forming a virtuous circle. To account for any mediating effect that this variable could play, the following hypothesis has been proposed:

H3. Innovation performance mediates the relationship between CSR of SMEs and firm performance

The rest of the paper is prepared as follows: section 2 contains our analytical framework related to CSR practices and their potential link with innovation and performance. Empirical evidence and research hypotheses are analyzed. Section 3 describes the research method (data collection and sample), and the variables and models to test the hypothesis are described. In section 4, the results of the empirical analysis are given. Section 5 summarizes the main findings and consequences and presents the conclusions.

METHOD

This study purpose is to explore the Corporate Social Responsibility and Firm Innovation towards the Firm Performance. This chapter contains different kinds of activities such as study type, form of investigation, research model, level of researcher interference, time horizon, study setting, data collection instrument, type of scale, instrument of measurement, sample and sample size, target population, data collection, data analysis, sampling techniques, and pilot study. The target population of our study are SMEs from the District of Punjab (Pakistan). The data collection process was carried out directly by SME'S firms from January 2017 to February 2017. The information about the variables used for the study was collected through a questionnaire addressed to the companies' managers. This questionnaire was previously validated through a pilot survey. Five SMEs were randomly selected from a database to perform the pilot study. Based on these responses and subsequent interviews with participants in the pretest, minor modifications were made to the questionnaire for the next phase of data collection. Responses from these five pilot-study firms were not included in the final sample. A questionnaire of self-administrative is developed to collect the data. Researcher personally visits of different SME'S firms and collect the data from manager of SME'S firms. The 310 questionnaire is distributed in different SME'S sector out of them 274 questionnaires are filled and received back. Out of them 17 questionnaires are not properly filled and incomplete and not useful for data analysis. 257 questionnaires are properly filled and usable for data analysis. The response rate is 82.90%. In this study the statistical techniques of data analysis are used to investigate and find out the relationship among the Firm performance and the other factors. SPSS version16 is used for reliability analysis, descriptive statistics, regression analysis, correlation analysis, to check either modal is good fit or not. There are different methods to collect the data like interviews, instrument adoption.

RESULTS AND DISCUSSION

This chapter will explain various techniques which are used in this research study to analyze and explore the data and findings of research in main survey. The data is collected from telecommunication sector Lahore Pakistan and the basic purpose of current chapter is to describe the research findings and results in figures. It also clarified the detail of profile, facts and figures, and other information of respondents. After complete investigation of instrument the reliability test is used for test accuracy and hypothesis of the research model.

Table 1.Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FP	258	2.38	4.88	3.6592	.38498
Employees	257	2.40	5.00	4.3370	.46795
Customer	257	2.00	5.00	4.2733	.53486
Supplier	257	2.33	5.00	4.2879	.51549
Community	257	1.00	5.00	3.9852	.83756
Responsibility	257	2.33	5.00	4.2879	.47950
Innovation	258	3.00	5.00	4.2202	.47068
Valid N (listwise)	257				

Table 2. Correlations

		FP	Employees	Customer	Supplier	Community	Responsibility	Innovation
FP	Pearson Correlation	1	.208**	.158*	.128*	.407**	.206**	.375**
	Sig. (2-tailed)		.001	.011	.041	.000	.001	.000
	N	258	257	257	257	257	257	258
Employees	Pearson Correlation	.208**	1	.381**	.312**	.165**	.314**	.123*
	Sig. (2-tailed)	.001		.000	.000	.008	.000	.048
	N	257	257	257	257	257	257	257
Customer	Pearson Correlation	.158*	.381**	1	.297**	.157*	.353**	.137*
	Sig. (2-tailed)	.011	.000		.000	.012	.000	.028

	N	257	257	257	257	257	257	257
Supplier	Pearson Correlation	.128*	.312**	.297**	1	.308**	.225**	.078
	Sig. (2-tailed)	.041	.000	.000		.000	.000	.214
	N	257	257	257	257	257	257	257
Community	Pearson Correlation	.407**	.165**	.157*	.308**	1	.221**	.112
	Sig. (2-tailed)	.000	.008	.012	.000		.000	.073
	N	257	257	257	257	257	257	257
Responsibility	Pearson Correlation	.206**	.314**	.353**	.225**	.221**	1	.124*
	Sig. (2-tailed)	.001	.000	.000	.000	.000		.047
	N	257	257	257	257	257	257	257
Innovation	Pearson Correlation	.375**	.123*	.137*	.078	.112	.124*	1
	Sig. (2-tailed)	.000	.048	.028	.214	.073	.047	
	N	258	257	257	257	257	257	258

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.442 ^a	.196	.180	.34730

a. Predictors: (Constant), Responsibility, Community, Employees, Supplier, Customer

Table 4. ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.359	5	1.472	12.203	.000 ^a
	Residual	30.274	251	.121		
	Total	37.634	256			

a. Predictors: (Constant), Responsibility, Community, Employees, Supplier, Customer

b. Dependent Variable: FP

Table 5. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.311	.273		8.478	.000
	Employees	.100	.052	.122	1.901	.058
	Customer	.029	.046	.041	.629	.530
	Supplier	-.043	.047	-.058	-.921	.358
	Community	.174	.028	.380	6.290	.000
	Responsibility	.066	.050	.082	1.308	.192

a. Dependent Variable: FP

Reliability Statistics

Cronbach's Alpha	N of Items
.652	7

CONCLUSION

Corporate sustainability has been proposed as a framework to address the full array of sustainability challenges (Lozano et al., 2015). Conceptually, corporate sustainability stems from the broader concept of sustainable development and represents a construct parallel to CSR (Montiel, 2008). Social responsibility forms the normative rationale for corporate sustainability integration at strategic level (Engert et al., 2016). From a theoretical perspective, a relation between CSR and innovation performance is supported, especially when the influence of CSR practices on innovation performance is considered. However, not enough empirical studies have been made on this relation. Moreover, although research has analyzed the direct

impact of CSR on firm performance, few studies have analyzed whether a mediating effect exists between CSR and firm performance through the innovation performance. This study aims to make a contribution to determine the impact of CSR practices on innovation performance from a firm strategic perspective in order to better understand the links that might exist in the context of SMEs and highlight the added value that can benefit business interaction. This study focuses on the measurement of five main dimensions of CSR (CSR with suppliers, customers, employees, local community and environmental responsibility) and then assesses its relationship with innovation performance and firm performance in a single integrative model by using structural equation modelling on a data set of 53 Pakistani firms. Our results show that the companies who have been most proactive in their CSR activities could also be the best performing companies. This positive link is, however, moderated by innovation. The effect of CSR on firm performance improves through an increase on innovation performance. In a business environment with increasing importance on a company's intangible, we argue that innovation may help to ensure the sustainability of a more responsible approach to business, resulting in system level solutions that are at the same time, responsible and profitable. Therefore, the focus should be on integrating the different activities and tying them in with the company strategy, as this is the only way to generate value. Despite the growth in CSR in recent years, practice is still mainly the preserve of large companies and is often tied in with notions of sacrifice for small companies. These findings indicate that CSR is an important driver mechanism for companies to be more innovative, efficient and effective. The European Observatory of SMEs states that most small company implementation of CSR is done on an occasional basis, and not tied to business strategy. The real advantages will only be realised once CSR is tied to the core decisionmaking process. If we can help SMEs add value to their business operations at the same time as behaving responsibly, there will be a real chance of positive change. There is still not sufficient belief in added value from CSR implementation. This can be partly attributed to a lack of adequate metrics which show the value of various CSR elements. The study described in this article aims to develop a better understanding of how CSR initiatives can lead to successful innovation in SMEs. The development of the innovation capabilities of SMEs through responsible and sustainable initiatives can contribute to the competitiveness of SMEs and hence the development of regional economies. In competition with bigger companies, the disruptive innovation could be the power of the more sustainable SMEs: smaller organizations can control their capacities for entrepreneurial innovations and organizational change, thereby learning to achieve advantages over larger organizations (Moore and Manring, 2009).

The paper assesses its relationship with firm innovation and Organizational performance in a single integrative model by using spss data set of 53 Pakistani SME's firms. Our results supports a partial mediation effect of innovation performance on the relationship between corporate social responsibility and firm performance, meanwhile the effect of corporate social responsibility on firm performance shrinks upon the adding of innovation performance to the model. The findings may help to understand how corporate social responsibility is an important driver mechanism for companies to be more inventive, proficient and effective. First, this research is based on single source at a single point in time on survey data. Longitudinal study approach is valuable to refine model and determine the causal sequences of this study. Second, this research investigation is based on single country. Sample size is 53 SMES. Sample size may be enhance to get rigors results. To strengthen the empirical rigor and generalizability same research setting is used with cross country. Third, this study is focus on the financial performance. Other non financial aspects of the employees also tested like satisfaction, quality of life, meaning of work.

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APPENDIX

ACADEMIC RESEARCH SURVEY

The following section covers the questions on your views about the Firm Performance. Record your responses on 1 – 5 scale given below:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

Financial Performance

1	During Last three year profit of SME'S increase								
2	During Last three year Return on Assets increase								
3	During Last three year SME'S has introduced improvements relative to Customer service								
4	During Last three year SME'S has introduced improvements relative to Relations with customers								
5	During Last three year SME'S has introduced improvements relative to Customer loyalty								
6	During Last three year SME'S has improved with regard to Staff absenteeism								
7	During Last three year SME'S has improved with regard to The working environment								
8	During Last three year SME'S has improved with regard to Employees' loyalty and morale								

The following section covers the questions on your views about Corporate Social Responsibility. Record your responses on 1 – 5 scale:

CSR with employees

6	Our company takes into account employees' interests for decision-making								
7	Supports employees willing to take further training								
8	Helps employees achieving work-like balance								
9	Understands the importance of stable employment								
10	Develops training programmes for employees regularly								

CSR with customers						
11	Our company meets its commitments about quality and price	1	2	3	4	5
12	Informs customers about appropriate use and risks of products	1	2	3	4	5
13	Takes the necessary steps to avoid customer complaints	1	2	3	4	5
14	Give response to customer complaints	1	2	3	4	5
CSR with suppliers						
14	Our company takes into account suppliers' interests for decision-making	1	2	3	4	5
15	Asks suppliers about the image of our firm	1	2	3	4	5
16	Informs suppliers about changes in our company	1	2	3	4	5
CSR with local community						
17	Takes into account the local community's interests for decision-making	1	2	3	4	5
18	Supports cultural and sport activities	1	2	3	4	5
19	Keeps transparent relationships with local politicians	1	2	3	4	5
20	Considers itself as a part of the community and worries about its development	1	2	3	4	5
21	Conducts programs to support disadvantaged groups	1	2	3	4	5
CSR with Environmental Responsibility						
22	Designs products and packaging to be reused, repaired or recycled	1	2	3	4	5
23	Exceeds voluntarily environmental regulations	1	2	3	4	5
24	Invest in saving energy	1	2	3	4	5
25	Adopts measures to design ecological products or services	1	2	3	4	5
26	Implements programs to reduce water consumption	1	2	3	4	5
27	Performs environmental audits periodically	1	2	3	4	5

The following section covers the questions on your views about Firm Innovation Performance. Record your responses on 1 – 5 scale given below:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree				
1	2	3	4	5				
28	The number of new or improved products/services launched to the market is above the average of your industry			1	2	3	4	5
29	The number of new or improved internal processes is above the average of your industry			1	2	3	4	5
30	Top management emphasizes on research and development			1	2	3	4	5
31	In the last five year, new product lines have been introduced			1	2	3	4	5
32	Changes introduced in our products during the last five years are important			1	2	3	4	5

Demographical Information

Name of Organization			
Gender	Male	Female	
Qualification	Bachelors	Masters	Others
Designation/Level of Job	Lower level job	Middle Level job	Top level job

Department	
Experience with current organization	
Total work experience	
Tenure as a manager	
Age (in years)	